

Memorandum

To: Panel Members Date: February 27, 2003

From: Diana Torres, Manager
Peter DeMauro, General Counsel Analyst: R. Negrete

Subject: One-Step Agreement for **Burlingame Industries, Inc.**
(www.burlingameindustries.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving to a High Performance Workplace
Stimulating Exports/Imports
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 738
 - In California: 610
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$423,800
- Substantial Contribution: -0-
- Total ETP Funding: \$423,800
- In-Kind Contribution: \$675,307
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Bernardino
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Quality and Productivity Resources of Poway, California - \$95,000 to provide a portion of Continuous Improvement Class/Lab training.

THIRD PARTY SERVICES:

The Applicant states that no third party services were used in the development of this Application.

NARRATIVE:

As a manufacturer Burlingame Industries, Inc. (Burlingame) is eligible for funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations (CCR), Section 4416 (b) for companies classified as manufacturers retraining current employees.

Burlingame currently operates its corporate headquarters and a manufacturing facility in Rialto, California, with a second manufacturing facility in Phoenix, Arizona. Eagle Roofing Products, a Burlingame subsidiary, is the only American-made and owned roof tile manufacturing plant in the world. Burlingame manufactures high-speed concrete extrusion equipment for large industrial customers and concrete roofing tile for roofing products distributors.

Burlingame representatives state that the company faces increasing competition from multinational corporations. In addition, the national economic downturn which began in March, 2001, has resulted in pressure from customers to lower prices, improve product quality, and ensure more timely delivery schedules.

In October, 1999, Burlingame management conducted an internal audit of business operations. Strategic planning, line performance efficiencies, rejects (waste), and customer service were identified as areas requiring significant improvement. The company instituted a process improvement effort to increase quality in its manufacturing processes, improve customer service and sales methods. This initial effort resulted in increased manufacturing efficiencies, improved loading times, reduced order entry errors, reduced waste, and increased sales.

As a result of the initial process improvement effort, Burlingame determined that it must implement a high performance workplace to increase employee productivity, improve processes, and incorporate a new Manufacturing Resource Planning system. Burlingame expects that these new processes will increase the skill levels of all company employees. The company's goal is to create a company culture based on the high-performance workplace model, focused on providing quality products and excellent customer service. Burlingame developed a training plan designed to meet the identified company needs.

NARRATIVE: (continued)

Burlingame developed a Menu Curriculum with 44 – 172 hours of Class/Lab training in Business Skills, Computer Skills, Continuous Improvement, Management Skills and Manufacturing Skills. It proposes to train 483 production, management, supervisory, lead, administrative, sales, and engineering staff in those skills.

Business Skills training will improve communication skills, customer service and sales skills that the Applicant states are currently lacking in production, management, sales, and administrative staff.

Computer Skills training will provide intermediate and advanced Microsoft applications (Excel, Outlook, Word, PowerPoint), Windows 2000, Minitab, and Statistical Process Control - XL to administrative, production and management staff. These newly acquired skills will provide employees with the tools to achieve company goals by utilizing the latest automation technology.

Continuous Improvement training (team building, team leadership skills, kaizen, statistical analysis, performance management, train the trainer, decision making, Six Sigma, and problem solving) will promote team development. Project management training will enable them to accomplish more complex projects with a higher degree of effectiveness. This training will enable production staff, sales personnel, and management employees to make key decisions at the lowest level of the organization.

Management Skills training for managers, supervisors and lead staff will provide leadership and coaching skills that, in conjunction with Continuous Improvement training, will enable these employees to communicate and manage their team members effectively. Company management, supervisory and lead staff need these advanced skills to effectively coach and manage team members in a high-performance workplace.

Manufacturing Skills training includes Manufacturing Resource Planning, Statistical Process Control, and quality tile manufacturing processes for production, engineering, and management employees to improve company manufacturing processes. Burlingame expects the training to improve technical development time, enhance decision-making skills, reduce waste, and enable staff to manufacture higher quality products.

Supplemental Nature of Training

Burlingame Industries, Inc., has certified in writing that ETP-funded training is supplemental to training it provides in the normal course of doing business. Company-funded training has primarily been job-related skill training, most of which is provided as on-the-job training. Company employees are normally provided 24 – 32 hours a year in new employee orientation, safety, job-specific skills training, and basic computer training for administrative and support staff. Burlingame also has a tuition reimbursement program. The annual company expenditure for company-funded employee training is approximately \$150,000, and will continue after ETP-funded training is completed.

NARRATIVE: (continued)

In-kind Contribution

Burlingame's investment in training and training-related costs not covered by ETP funds is projected at \$200,000 for project development costs (\$150,000) and training materials (\$50,000). In addition, employee wages and benefits paid during training are estimated at \$475,307. Therefore, the total employer in-kind contribution is: \$675,307.

COMMENTS:

Managers

The proposed training plan includes 454 employees who meet the Title 22, CCR 4400(ee) definition of a frontline worker. Twenty-nine (29) Department Managers (including a Controller) make up the six percent of the total trainee population who are not frontline workers who are included in the training plan.

Turnover Rate

In accordance with Title 22, CCR Section 4417 (a) ("Secure Job), which states:

"The Panel shall fund training for employment that is stable. The employer's turnover rate shall not exceed 20 percent annually for the company facility where training is being requested. The Panel may accept a higher turnover rate if the employer provides evidence that the proposed training will significantly decrease the turnover rate, or the employer has experienced a singular reduction in force, or other occurrence which adversely affected the turnover rate in the last calendar year, or if industry data supports a higher turnover rate."

In accordance with the above regulation, Burlingame is requesting a waiver of the maximum 20 percent turnover rate requirement. Burlingame experienced a turnover rate of 33.5 percent in calendar year 2002. Burlingame's turnover rate was 35.4 percent in calendar year 2001, and 61.8 percent in calendar year 2000. Therefore, the current rate shows a downward trend.

A company analysis identified the position of Stacker on the production lines as the main contributor to the high turnover rate. To address this issue, Burlingame has installed automatic packaging machines in five of the six production lines, and has moved Stackers to other areas of work in the company. An automatic packaging machine cannot be installed on the sixth production line. (If Stackers were removed from the turnover rate calculation, the company's turnover rate for calendar year 2002 would have been 22 percent). ETP-funded training is one of several company efforts to increase the retention of employees. Burlingame has also instituted a bonus plan, which rewards all employees (including Stackers) on the production line for high efficiencies and low rejects. Currently, the bonus plan ranges between 18 to 25 percent (with an

COMMENTS: (continued)

Turnover Rate (continued)

annual average of 21 percent) of weekly wages, depending on an individual's level of performance on the production line. Burlingame is confident that the installation of automatic packaging machines and the bonus plan, in addition to ETP-funded training, will result in the company achieving a turnover rate of 20 percent or less in the final year of the ETP Agreement.

The Applicant signatory has stipulated that if ETP funding is provided, and Burlingame does not attain a turnover rate of 20 percent or less in the final year of the ETP Agreement, the final 25 percent progress payment will be forfeited. In addition, Burlingame has agreed to a 120-day retention period, instead of the customary 90-day retention period.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement and the Applicant's turnover rate waiver request, if funds are available and the project meets Panel priorities. This project will ensure that Burlingame Industries, Inc. will be able to provide its employees with the skills to enable the company to adapt to a high performance workplace, and create a highly skilled and flexible workforce that can respond to market demands. ETP-funded training will enable the company to remain viable in the California economy.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Hours	Cost per Trainee	Hourly Wage after 120 days
Retrainees					
Job Numbers 1 - 6	Menu Curriculum: Business Skills, Computer Skills, Continuous Improvement, Management Skills, Manufacturing Skills	483	44 - 172	\$572 – \$2,236	*\$11.00 - \$36.35
					<u>Range of Hourly Wages</u> *\$11.00 - \$36.35
					<u>Prevalent Hourly Wage</u> \$11.50
					<u>Average Cost per Trainee</u> \$877
<u>Health Benefits used to meet ETP minimum wage:</u> *Health benefits totaling \$.91 per hour and a production bonus totaling \$1.75 per hour may be added to meet the ETP-required \$10.98 hourly wage for San Bernardino County.				<u>Turnover Rate</u> 33.5%	<u>% of Managers to be trained</u> 6%

BURLINGAME INDUSTRIES, INC.
MENU CURRICULUM

Class/Lab
Hours

44 – 172 Trainees will be provided any of the following:

Business Skills

Meet the Boss: Customer Service – Part 1
Best Practices: Customer Service – Part 2
Identifying And Meeting Customer Requirements
Phone Communication Skills with Customers
Up Front And Personal with Customers
Meeting the Challenge of Change
Organizational Effectiveness
Communication in Organizations
Business-Style Writing
Best Selling Techniques
Negotiations - Getting to “Yes”
Presentation Skills
Chasing the Waste Out of Sales

Computer Skills

Intermediate Microsoft Outlook
Advanced Microsoft Outlook
Intermediate Microsoft Excel
Advanced Microsoft Excel
Power Formulas in Microsoft Excel
Statistical Process Control (SPC) - XL for Microsoft Excel
Intermediate Microsoft Word
Advanced Microsoft Word
Intermediate Microsoft Visio
Advanced Microsoft Visio
Intermediate Minitab-Statistical Analysis
Advanced Minitab-Statistical Analysis

Manufacturing Skills

Quality Tile Manufacturing Processes
Manufacturing Resource Planning
Statistical Process Control

BURLINGAME INDUSTRIES, INC.
MENU CURRICULUM

Continuous Improvement

Dr. W. Edwards Deming Total Quality Management Principles
Train-the-Trainer
Creativity Tools for Improvement
Business Mathematics
Learning Outcomes and Performance Support Systems
Learning Evaluation and Transfer Procedures
Empowered Decision Making
Process Improvement
Performance Management and Monitoring
Teambuilding, Group Development, Team Effectiveness
Team Resource Management
Statistical Quality Control
Project Management – Part 1 and 2
5S Methodology
Kaizen
Chasing the Waste Out of Sales
Statistical Analysis Tools
The Seven Quality Control Tools
Six Sigma Green Belt Principles
Advanced Statistics
The Seven Management And Planning Tools
Six Sigma Black Belt Principles/ Six Sigma Team Dynamics
Six Sigma for Managers
Transactional Six Sigma Tools
Making Six Sigma Last
Value-Stream Process Mapping
Lean Manufacturing

Management Skills (Only Managers, Supervisors, and Lead Person trainees will
be provided Management Skills training)

Meeting Facilitation Techniques
Leading Strategic Change
Effective Coaching
The 5th Discipline: The Learning Organization
The *New* Shop Floor Management
Sales Management – A Leadership Issue
Mentors: Be One - Get One
Supervisory Improvement I and II